3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

decisive contribution to a continent's recovery, and this could best be done by giving aid to the major industries of every country concerned. This fact alone was of great significance for the Austrian economy, with its tradition of skilled craftsmanship and its preponderance of small businesses.

In 1946 and 1947 the Coalition Government agreed on the nationalization of the banks and a number of key industries. These included coal, iron and steel production, the mining and smelting of other metals, the nitrogen works at Linz, certain sections of the machine and light-metal industries, the manufacture of locomotives and rolling-stock, the electrical industry, and the production of electric power. There were a number of reasons why both parties approved so large a measure of nationalization. The railways, the post office, and the sale of salt and tobacco had been nationalized under the Habsburgs, and there were compelling arguments for the extension of State control at this stage. Some of the industries now nationalized had been seriously damaged during the War. Some were in process of development on a grand scale but were incomplete. Others again were essential to the national economy but could not be run at a profit. The capital and over-all planning necessary to deal with the situation could not be provided by private enterprise, but part of it at least might be provided by the State. Whatever was done must be part of a co-ordinated plan. The aluminium works at Ranshofen, for example, would become a white elephant unless the necessary electric current were available. These considerations brought the People's Party into accord with the Socialists and Communists.

The effect of nationalization was to bring a large section of the Austrian economy under unified control. The nationalized industries were of vital importance to the country. Their success had become the immediate concern of the Government. They therefore had a strong claim to substantial support, and their privileged position ensured that they would get it. No industries were easier to control or would fit more naturally into the national recovery programme.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 During the period between the liberation and the Potsdam Conference, Russian troops carried out widespread looting, and the Soviet military authorities organized the systematic dismantling and confiscation of industrial equipment, vehicles, and rolling-stock. Vital installations like the Donawitz rolling-mill and the main turbines of the Vienna power-stations were dismantled before the Potsdam decisions gave such actions a measure of legality. No exact figures can be given for the value of Soviet depredations, but the loss to the Austrian economy through confiscation of installations and equipment before and after Potsdam has been reasonably estimated at over $200 million.

Since the Austrian electorate's first decisive vote against Communism the Soviet Government has, in a number of ways, deliberately hampered Austria's economic revival. Whatever may be the merits or demerits of nationalization in normal circumstances, the Government's nationalization programme was necessary, on the whole, under post-War conditions to co-ordinate industrial recovery. The nationalization laws were strongly opposed by the Soviet representative in the Allied Council, and have never been recognized by the Soviet authorities in their own zone. The Russian representative also violently attacked Austrian participation in the European Recovery Programme. Most revealing of all, in September 1946 a Soviet proposal came before the Allied Council to restrict Austrian production of various items for the next ten years. The proposal not only included armaments and strategically important materials, but recommended fixing the basis of industrial production at the level reached before the *Anschluss*.

The Soviet Government's main economic programme in Austria was the exploitation of her natural and industrial resources on the pretext of exacting reparations from Germany. This served the dual purpose of hindering the country's recovery and substantially benefiting the Soviet economy.

727 471 As has been seen, the term 'German assets' which was used at Potsdam was vague, and the Four Powers never succeeded in agreeing on a definition. During the German occupation of

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austria, apart from State property having been taken over by the German Government, most of the leading industrial enterprises had been absorbed in one way or another by the big German concerns. The absurdity of the situation resulting from Potsdam was made clear in May 1946, when a member of the National Assembly pointed out during a session that the Parliament building did not belong to the Austrian people, but was a 'German asset'. Dr. Renner summed up the position by saying: 'If all the concerns that were stolen or swindled from us by Germany are taken away, Austrial will . . . be incapable of an independent economic existence.' More recently, in December 1951, Dr. Klaus, Governor of Salzburg, suggested that had Austria enjoyed the full income from the 'German assets' seized by the Russians it could have dispensed with Marshall Aid. The validity of historical 'ifs' can never be proved, but Austria's total losses to the Russians, including dismantling, evaded taxes, and the products of industry and the oil-fields, have been approximately equal to her gains from the United States under the European Recovery Programme.

The Austrian oil-fields were the largest single asset taken over by the Soviet Authorities.

Before the *Anschluss*, Austrian oil production was largely in the hands of two concerns financed by British and American capital: the 'Britol' Oil Company, later to become the Richard K. van Sickle Deep Drilling Enterprise, and a joint undertaking of the Shell and Vacuum groups, known as RAG. In 1938 a number of German companies entered the field and, in addition to undertaking extensive new developments, forcibly took over some of the oil-fields and refineries owned by British and American companies. As production rose from 32,849 tons in 1937 to 1,213,036 in 1944 under the stimulus of German effort, there was a *prima facie* case for the Austrian oil industry being largely a 'German asset'. On the other hand, human enterprise is only one element in oil production: the oil itself is at least as important. The fact that Germans had ruthlessly exploited Austrian oil to satisfy their war needs gave the Russians no right to confiscate one of Austria's most

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

valuable natural resources under the pretence that it was German property.

The Austrian Nationalization Law of 1946 included the oil industry, but, so far as oil in the Russian zone was concerned, it never went into effect. In the summer of that year the Soviet High Commissioner announced that all the German-controlled oil-fields had been taken over as 'German assets'. The Soviet Mineral Oil Administration (SMOA) was set up to manage them.

The Soviet authorities did recognize British and American ownership of certain oil-fields and refineries that had not been taken over by the Germans. They are still under British and American management, but are subject to various measures of Soviet control. The producing companies are required to sell their crude oil to SMOA. The refining companies have to buy this oil from SMOA and resell to it the refined product. Payments are made to the British and American concerns in Austrian schillings, after the deduction by SMOA of arbitrary sums for administrative expenses. The disposal of the oil remains in Soviet hands, and the concerns are not able to export it, as they might wish. This limited recognition of foreign rights does not therefore benefit the Austrian trade balance in any way.

Exact statistics are not available for the Austrian oil industry since it has been under Soviet control. But it has been estimated by the best-informed authorities that production rose from 846,600 tons, to which it had declined in 1946, to about 3,200,000 tons in 1952, and is thus now probably the highest in Europe.[1] This increase indicates the anxiety of the Russians to extract all they can from the Austrian oil-fields while they have them under their control. The result has been achieved by extensive new boring and by the employment of damaging and uneconomic methods that would normally never be used.

It is significant that the expansion has practically been confined to the ex-German enterprises under purely Soviet control, which have had full freedom of action and exploration.

[1] Reliable figures for Roumania, its only possible rival, are not available.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 382 passed by the People's Party, the Socialists, and the League of Independents, in November 1952 calling upon the Minister of Finance to enter into negotiations with the Soviet occupation authorities to ensure that Russia shall pay full compensation to the Austrian Republic for all petroleum removed from her oilfields since 1945 and meet all its obligations with regard to taxes and customs dues, as required by Austrian law.

727 471 The remainder of the enterprises, large and small, that have been seized by the Russians as so-called 'German assets' have been administered by one vast organization known as USIA—the initials of the Russian title meaning the Administration of Soviet Property in Austria. The Soviet authorities decided for themselves what they were going to take over as reparations and announced the list during the summer of 1946. The Soviet High Commissioner would allow no discussion of the subject in the Allied Council and made clear that he considered himself the only authority. As the Potsdam Conference had allotted German property in Eastern Austria to the Soviet Union without definition, the Western Powers had no alternative but to accept the decision.

The USIA concerns being entirely under Russian control, full information and statistics regarding their organization, production, and equipment are not available. But a fairly accurate general impression of their extent and method of working can be obtained from reliable sources. The Austrian Minister of Finance stated in Parliament in August 1951 that 471 USIA enterprises were listed with the Treasury, of which 351 were commercial, 100 agricultural, and 20 mixed or doubtful, and that altogether about 60,000 insured persons were employed in them. Since the War USIA has been the largest landholder in Austria. In 1951, a total of 115,980 hectares[1] of land were held by the occupying Powers for aerodromes, military purposes, agriculture, and forestry. Of this area no less than 112,747 hectares were in Russian hands. Some had been taken over soon after the War to produce food for the Soviet forces, and the remainder had been seized as 'German

[1] A hectare equals 2·471 acres.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

assets', although a good deal of it was Jewish property that had been 'aryanized' by Hitler. At the beginning of 1953, 54,000 hectares of agricultural and forest land alone were under USIA's control.

The key positions in USIA have been concentrated increasingly in Soviet hands. In the central administration Russian influence is dominant, and the Austrians who remain in it are either technical experts or Communists. Until 1952 the head of the USIA selling organization was an Austrian, but he and his wife then escaped to France after a disagreement with the Soviet authorities. Two Russians thereupon became managing director and deputy. In the individual firms the management depends on the importance of the enterprise. Some are run entirely by the Russians, while others are under purely Austrian control. Between these two extremes there is every kind of mixed management. All accounting is done through the central administration, and, to maintain secrecy regarding USIA's affairs, every enterprise deals with the Soviet Military Bank, which was organized for the Russian zone of Austria with its head office in Vienna.

Some USIA products are sold on the Austrian market. But the greater part of them are sent by rail or river to Soviet Russia and Eastern Europe. They are a dead loss to the Austrian economy, because no imports are received in return. The USIA concerns pay wage taxes and the ground tax levied by the local government authorities. But they do not pay income tax, profit tax, or the property tax due to the Federal Government. The Russians maintain that they do not pay these taxes because Austria will not transfer the titles of the USIA properties to them. The Austrian Government, backed by the Western Allies, does not recognize the Soviet right to the properties, and maintains that a legal transfer would be possible only if the companies were dissolved and the shareholders handed over the assets to the Soviet Union. The losses to Austria up to the end of 1952, in respect of USIA exports and unpaid taxes, have been estimated at nearly $200 million and $30 million respectively.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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Austria's indirect losses owing to USIA's activities are also very considerable. Raw materials and finished industrial products go in and out of Austria as Soviet property without payment of customs duties. Quite apart from the financial loss this entails, USIA exports are thus able to undercut Austria's legitimate industries in East European markets. At the same time the equipment and efficiency of USIA factories are gradually being allowed to deteriorate, as little or no attempt is being made to renew and modernize plant. When the concerns are eventually returned to Austrian ownership their value will be much lower than it was when they were taken over.

A most damaging and sinister aspect of USIA's work has been its entry into retail trade during the past few years. At an early stage USIA imported cigarettes from South-east Europe without payment of duty, and sold them in large quantities on the black market at the expense of the Austrian exchequer. This was followed by the establishment of retail shops in Vienna and the Russian zone. Two hundred of them were opened between the summer of 1950 and the summer of 1952. Like other USIA concerns, they pay only a proportion of the federal and local taxes due from them. In addition, they pay no customs, excise, licence dues, or monopoly taxes on the goods sold, and are thus able to undercut legitimate retail businesses and at the same time make a good profit. The Government makes every effort to discourage people from patronizing them, but the low prices are a temptation difficult for the poor to resist. The shops also are varied and inconspicuous in character, and many purchases are made in them without the customers knowing what they are doing.

In contrast to the enterprises taken over as 'German assets', the establishment of the USIA retail shops had no legal justification whatever. There can have been only two motives for setting them up: a deliberate attempt to undermine the Austrian economy and a desire to make profits at Austria's expense, in particular, to offset losses on inefficient management in the main USIA concerns.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austrian political leaders have attacked the USIA retail businesses repeatedly. The Minister of Justice has made clear that Austrians found guilty of evading customs and excise by dealing with USIA will be punishable under Austrian law. The Soviet authorities themselves have shown some signs of embarrassment at this branch of their activities. After the first two years its expansion slowed down considerably. A strong trade union protest against USIA shops remaining open until ten o'clock at night was followed by their compliance with normal closing hours.

In fact, Soviet policy in Austria, in spite of its ruthless economic exploitation of the country, has shown repeatedly a capacity for compromise and the unexpected conciliatory gesture. The Austrian Government has been firm, bold, and insistent in the assertion of its rights, and the Soviet authorities have shown themselves to be very sensitive to public criticism, especially on issues in which popular privileges have been involved. In spite of everything, the impression remains that the Soviet Government has never entirely forgotten the importance of considering its reputation with the Austrian people.

On the economic side, the best example of the flexibility of Soviet policy is provided by the attitude of the Russians towards the navigation of the Danube.

The importance of the Danube to Austria as a means of communication requires no emphasis. Between the Wars the ownership of the Danube Shipping Company, the largest concern engaged in Danube traffic, was shared between the Federal Government, the Credit Anstalt Bank, and various Italian interests, the majority of the shares being held in Austria. As the Austrian holdings came under German control during the War, in February 1946 the Soviet authorities assumed ownership of the company, and at the same time took possession of two smaller companies. The Western Powers pointed out that these assets were of doubtful ownership and that the companies operated in more than one zone. They maintained therefore that the whole subject should be

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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considered in the Allied Council. But the Soviet representative refused to discuss the matter, and the Russians proceeded to take over all the property and installations of the Danube Shipping Company in Eastern Austria and South-east Europe.

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During the fighting in Austria the greater part of the company's shipping was destroyed, but about 40 per cent of it managed to reach Linz, mostly in very poor condition. There it remained under American protection, and during the early post-War years the company concentrated on putting the remnant of its fleet in order. Owing to the Russian attitude, river traffic ceased between Upper Austria and Vienna, and such ships as were available were employed on the stretch between Linz and South Germany. The freight carried by the company between Linz and Regensburg in 1950 reached a total volume of 690,000 tons, the cargoes consisting mainly of Ruhr coal for the VÖEST works, pig-iron, sheet metal, timber, and grain.

The first Russian concession in the direction of opening up the Danube appears to have been made from ulterior motives. After its breach with the Soviet Union, Yugoslavia was in a strong position as regards Danube navigation, because, at the Iron Gates, it could control river traffic between the Russian satellite States, if it so wished, just as Russia controlled traffic between Vienna and the West. Yugoslavia's freedom of navigation was therefore ensured, and in 1950 it started a service between Belgrade, Vienna, and Regensburg. To provide rivalry for Yugoslav ships the Soviet authorities in Austria began to issue licences for Austrian barges to travel between Vienna and Linz. During 1951 more than 73,000 tons of oil were carried in Austrian vessels from Vienna to Linz, and a smaller quantity of grain in the same way from Regensburg to Vienna. Cargoes for the year carried by Austrian ships on the Danube amounted to more than a million tons.

In June 1952 the Soviet High Commissioner informed the Federal Chancellor that, in the interests of the Austrian people and in order to improve Austria's economic position, navigation on the Danube within the Russian zone would hence-

During July 1946, the parliament passed the first nationalization law (see part A, III, paragraph b). This nationalized, in addition to enterprises of heavy industry, mining and shipping, the three largest Austrian commercial banks (the Creditanstalt-Bankverein, the Oesterreichische Länderbank A. G. and the Hypotheken- und Creditinstitut). With the federal law of March 26, 1947 (second nationalization law), establishments and plants producing and distributing electrical energy were nationalized, because 90 percent of these establishments were already publicly or municipally owned.

During the years 1945-1946 only the greatest difficulties were eliminated. A noticeable production increase, fostered by increasing imports of raw materials and food stuffs, occurred during 1947 at which time the coal situation was also eased and the crisis in the power sector could be ameliorated. The decisive turn of events in the economic consolidation, however, remained to be accomplished with the assistance of the Marshall Plan.

3. Special Problems in Austrian Reconstruction.

a) The question of "German Property."

At the end of the war, when Austria received her independence (perforce limited because of occupation statutes), her economic situation had been basically altered in comparison with 1937. The economically and organically different set-up of the German Reich made a reorganization of the economic status necessary. Austrian production means were diminished further by transfers of private as well as public production establishments into German hands, particularly after 1938. This "German Property" became fateful in Austrian economy with the Potsdam Agreement of August, 1945.

According to the agreed terms of the Allied Powers, German reparations were to include German assets located in countries previously occupied or controlled by Germany; these assets were to be subjected to the control of the various Allied Powers relative to their geographic location (in Austria according to occupation zones).

Under this title more than 200 enterprises in Austrian territory, mostly in the eastern part of the country (among them the entire oil industry,

727 chemical plants, large parts of the electric, iron
471 and metal industry), has been classified as "German Property" and were confiscated. Affected also was the Erste Donau Dampfschiffahrt-Gesellschaft (First Danube Steamship Company, Inc.), inasmuch as this enterprise had also been classified as "German Property" under the terms of the Potsdam Agreement.

The nationalized plants and companies (provided there occurred no mitigations such as those later in the western zones) remain not only lost to Austrian economy but complicate the coordination of Austrian production sectors inasmuch as these enterprises, particularly those located in the eastern parts of the country, are no longer subjected to Austrian jurisdiction.

Legally, the control and administration of German assets in Austria was to be effected in line with the control agreement of the Allied Commission for Austria on June 28, 1946. Article V of this agreement provides that the question of the "German Property" has to be settled in accordance with the agreement of Potsdam.

Later on, the interpretation of the stipulations, covering the "German Property," was not handled uniformly by the occupation powers causing a different treatment of such assets in the various occupation zones, a situation which resulted in legal, administrative and economic consequences for the Austrian national economy. This diversity in interpretation also influenced the nationalization proceedings as far as the "German Property" was involved. The occupation element of the United States of America, desiring to make these assets available to the Austrian economy, transferred the largest part of the relative enterprises located in its occupation zone to the competent Austrian ministry. The latter, as a trustee, has to furnish periodical accounts and reports. The French occupation element (taking exception to nationalization legislation on enterprises falling within the scope of Article V, paragraph 4, of the new control agreement) found a solution by leasing such establishments individually. The British element formulated no special provisions but permitted the enforcement of Austrian laws with regard to "German Property" located in its zone. The three western occupation powers finally released simultaneous directions, stating that any disposal of German assets, be it by sale or by other means,

was prohibited, while the Union of the Soviet Socialist Republics decreed the transfer of such assets to a special administration created for this purpose (USIVA, later USIA). In the eastern part of the country, therefore, enterprises representing such assets became "foreign administrative and economic enclavements" within the Austrian economy. 727 471

The definite solution of this question, important to and difficult for the Austrian economy, however, is reserved to the signing of an Austrian state treaty.

b) The "nationalization legislation." 471

In connection with the question as to the scope of freedom and economic relationships to achieve the highest possible degree of national economic productivity (which had been brought up for discussion in a number of European nations), the Austrian authorities were compelled to cope also with the ideologies and trends relative thereto, whereby compulsory issues had to be considered.

With her nationalization legislation Austria endeavored to follow a middle course, which, via a transfer to the government of ownership rights with stipulated compensations, nevertheless permitted management of the various (nationalized) enterprises under the same economic requisites as those ruling the private sector.

The scope of nationalization was fixed by two nationalization laws, i.e., of July 26, 1946, and March 26, 1947. Both of these laws expressly stated the names of the enterprises concerned. However, if not specifically stipulated, only certain enterprises and not entire business sectors were nationalized. The two nationalization laws differ insofar as, under the first, the stipulated enterprises and plants became ex lege (immediately) properties of the government, while under the second the establishments of the electric power sector were transferred by order of the competent administrative authority. The second nationalization law therefore is solely an organization and omnibus bill.

While the administration of the government's participations in nationalized industrial and electric power enterprises (according to the federal law of December 16, 1949, decreeing the discontinuance of 471 655

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[329] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[394] 4.) A number of important enterprises of the
[393] electric and machine manufacturing industry (AEG-Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[314] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

1.) Most of the enterprises nationalized under the terms of the first nationalization law represent "German Property," the definite settlement of which is left to the signing of a state-treaty; 471 655
2.) The "German Property" located in the American zone of Austria has been transfered in trust, whereby, in accordance with the terms of the trust agreement, no changes of proprietor status are permitted without prior consent of the United States occupation element;
3.) There is a binding contract of the federal government to enforce the nationalization laws covering enterprises belonging wholly or partly to citizens of the United Nations after settlement of compensation claims.

A decision about compensations also had to be left pending. Despite the written undertaking of the Austrian federal government to compensate the prior proprietors, it has not as yet been possible to fix such compensations for the following reasons:

1.) The three aforesaid reasons prevent, for the time being, a settlement of this question;
2.) The definition of the conception "German Property," as yet not clear, does not permit the definite fixing of the scope and the amount of such compensations;
3.) In consideration of the prevailing uncertainties of the nation, the date under which a calculation of the values of the confiscated enterprises has to be effected is still open and likewise the compensation form;
4.) Legal prerequisites, especially with regard to enterprises partly administered by an occupation element and partly by an Austrian authority, have not as yet been established.

The nationalized enterprises are continuing business under their former legal status, i.e., as corporation and limited companies and under the same regulations covering enterprises of the private sector. Thus, for instance, the nationalized industrial enterprises are not accomodated with special credit terms for reconstruction purposes by the large nationalized banking institutions. They are subjected to the same controls and regulations as enterprises of the private sector, enjoying no privileges with regard to taxations, etc. They are exempted only from the payment of the property-tax. With regard to competition, they are further required to adhere to the same principles and 475 471 [651]

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regulations as privately owned enterprises.

If companies or enterprises, under the regulations of the corporation law, were for any reason not as yet able to install the required responsible executive managements (executive officers, board, stockholder meetings) the competent authority, in accordance with the terms of the federal law of July 26, 1946, installed public administrators. The privilege, however, does not apply to enterprises and plants working under their legally installed executive managements; such an existing status permits the government to introduce motions, by its delegated board members, only within the scope of legal corporate requirements.

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According to the federal constitutional law of June 16, 1948 (Rechnungshofgesetz), all nationalized enterprises are subjected to the accounting and business policy control of the Oberster Rechnungshof (superior accounting office of the government), which in turn is responsible to the parliament for rendering account.

By these means parliament wanted to prevent red tape in the commercially managed establishments.

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c) The reconstruction of the Austrian credit institutions.

Following the loss of Austrian sovereignty in 1938, changes within the great Austrian banking organizations occurred. The Austrian National Bank disappeared as bank of issue, its Vienna organization became a branch office of the German Reichsbank, the substantial gold and foreign exchange holdings as well as other assets were transfered to the latter, so that from 1938 to April 1945 no independent money and currency policy was possible.

Likewise, the nationalized banking institutions were confronted with structural changes which, after 1945, brought about problems of balance adjustments. Therefore, if the entire question complex and the enforcement of relative measures are to be ascertained, it is necessary to become acquainted with the developments which have occurred. Austria, having been reestablished as a sovereign nation at the end of the war, faced a greatly changed situation in comparison with 1937. The prior assimilation into the economically and organically different economy of the German Reich, caused a far

AUSTRIA'S ECONOMIC DEVELOPMENT

458 This was precisely what happened in Austria. But while
433 exports increased more than imports the balance of trade
439 continued to be unfavourable.[10]

This was partly due to the fact that production in Austria was as yet insufficient to provide exports on any scale; partly because Austrian exports have a high "import content" so that every increase in exports involves increased imports. Also, the fall in world prices in 1920 tended to reduce the margin between the Austrian and the world price level.

Unfortunately, we have no statistics on invisible exports. But there is every indication that these exports increased considerably. Vienna soon regained her importance as a transit centre: by 1920, the weight of goods passing through the great municipal warehouses had already increased over three-times as compared with 1913. The Viennese banks again played an important part in the "Succession States" and the Balkans, and the low value of the Crown attracted an increasing number of foreigners to Austria. The number of foreigners arriving at hotels in Vienna rose from about 230,000 in 1920 to about 330,000 in 1922. On all these scores a considerable income must have accrued to Austria which helped to fill at least part of the gap on the balance of trade.[11]

458 But the low value of the Crown and the insatiable
•471 hunger for foreign exchange did not only stimulate current exports. It also led to the sale of capital. Real estate, houses, and industrial shares were sold to foreigners and part of Austria's industry thus came under foreign control. It was in this period that a decisive parcel of shares of the Alpine Montan Gesellschaft, Austria's most important heavy industrial concern, passed into the hands of a group of Italian capitalists from where they wandered on until they became the property of one of the firms belonging to

1 [CA p. 35, CATEGORY 116 -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

the German Steel Trust. We shall see later what ominous political and economic consequences flowed from this transfer of control.

Summing up, it may be said that the years of inflation brought a marked revival in the sphere of production and foreign trade; but that little was accomplished in the way of urgently needed structural adjustment.

One further result of the inflation should be mentioned. In Austria, as elsewhere, the internal National Debt was practically wiped out. No doubt this put a heavy burden on some classes of the population, particularly the small saver. No doubt, the inflation involved a heavier burden of external debt than would otherwise have been the case. But the disappearance of the National Debt undoubtedly relieves a government of some headaches when it comes to the point of drawing up a budget. And to balance the budget was one of the main tasks before the Government if the inflation was to be brought to an end.

THE STABILIZATION OF THE CURRENCY

We have seen that the Austrian Government pinned all its hopes of overcoming the monetary chaos on foreign help. A foreign loan would both help to balance the Government's budget and to stabilize the foreign exchange rate, the barometer of the country's confidence in the Crown.

Negotiations for such a loan had started as early as 1920; but to secure a loan was by no means a simple matter. The allied governments expected to receive reparations from Austria, not to make loans to her. They pointed to the relief credits they had already granted (but which had of course been used up for "unproductive" relief) and were unwilling to make any further advances. Private investors, on the other hand, were unwilling to

AUSTRIA'S ECONOMIC DEVELOPMENT

was also much direct participation in the Empire's industry and banking.

In those days free economic relations were still the rule. But Germany's lending policy was quickly used to help carve out political and economic spheres of influence. Loans were frequently granted only on condition that their proceeds should be spent on German products.[2] By this means, the big German concerns obtained a dominant influence in these areas and trade was often diverted from its natural channels. Not less than 40 per cent of Austro-Hungary's foreign trade thus came to depend on Germany. The economic penetration of the Monarchy contributed greatly to its conversion into a junior partner in Germany's foreign policy and into a willing tool in the First World War.

As a result of that war Germany lost most of her foreign investments and eventually became herself largely dependent on foreign capital. Consequently, she was no longer of any importance as a source of capital supply for Austria and in foreign trade, too, she lost her predominant position, accounting for no more than about one-sixth of Austria's foreign trade.

But Germany did not therefore abandon her attempts at economic penetration in Austria. If anything, her efforts in that direction were greatly increased to compensate at least in part for the areas and opportunities lost in the war. The aim remained the same, though the methods were changed.

While Germany ceased to make loans to Austria she continued to maintain a close grip through her shares in Austrian companies. The total amount of these holdings was moderate but they were of major strategic significance. German concerns had managed to obtain full or partial control over important firms in most of Austria's

[CA CATEGORY 1161 P. 91 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

key industries. German capital was conspicuous in the spheres of banking and insurance, the iron and steel industry, heavy and electrical engineering, the chemical industry, textiles, hydro-electric works, and in the film industry. In many cases, of course, German capital opened up new opportunities, with benefits to all concerned. But more often German control resulted in the complete subordination of the policy of the Austrian firm to the interests of the German parent concern or to the political aims of the German expansionists.

In the electrical engineering industry, for instance, which was dominated by the German controlled Oesterreichische Siemens Schuckert Werke A.G., Siemens-Halske A.G., and the A.E.G.—Union Elektrizitaets—Gesellschaft, the goodwill which Austrian industry possessed in south-eastern Europe was exploited by using the Austrian establishments for exports to these areas. But the development work was invariably carried out in Germany. Austrian research workers and technicians were sent to the Berlin laboratories, and Austrian shareholders deprived of their dividends in order to strengthen the financial reserves of the parent concern. Accordingly, the Austrian establishments became increasingly dependent on German patents and finance while Austria's social and economic requirements were completely neglected.

Many similar examples could be given from other industries. One case, which deserves special mention is that of the biggest single Austrian combine, the Alpine Montan A.G. The Alpine owned all the important iron mines in Styria and Carinthia, all Austrian blast furnaces, a great number of steel works in southern Austria, lignite and magnesite deposits and railways. It controlled the bulk of Austria's metallurgical resources.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

The Alpine had been the offspring of a merger of many small companies in the days of the Monarchy. After the war the majority of shares was acquired by the Government, but in 1919—during the most critical period—they were sold to a group of Italian financiers. From there, in 1921, they passed into the hands of the notorious German inflation profiteer, Hugo Stinnes. When his meteoric rise came to a sudden end the majority of shares (56 per cent) were acquired, in 1926, by a member of the German Steel Cartel, the Vereinigte Stahlwerke of Duesseldorf, a combine headed by the Nazi promoter Fritz Thyssen.

From then on this most important combine in Austria's heavy industry was run exclusively in the interests of the German Steel Trust. All the important positions and research facilities were reserved for adherents of "Pan-German" convictions. The workers were forced to leave their free trade unions and to join the *Heimwehr*, an armed, anti-democratic body, whose Styrian branch was heavily subsidized by the Alpine Montan. As early as 1931, the Styrian *Heimwehr* organized an unsuccessful *coup d'état* against the Austrian Government. A number of directors of the Alpine Montan were behind this *putsch*. They were again involved, and actually arrested for a short time, when the Nazis made an abortive *putsch* in July, 1934, in the course of which Chancellor Dollfuss was murdered.

On the outbreak of the great economic depression the German steel magnates decided to concentrate production in Germany. All Austrian blast furnaces were closed down and the industrial districts of Styria were thus converted into one of the worst-depressed areas in Europe. After Hitler's rise to power, the Alpine was completely harnessed to the German armament programme, regardless of Austria's political or economic needs. In 1937, when

THE SHADOW OF GERMANY

Austria was in great need of "free currency", the Alpine refused orders from England and other countries, and sent its whole output to Germany, in spite of the clearing debts which had accumulated there. Ultimately the behaviour of the directors became so hard to distinguish from high treason that the Austrian Government put a Government Commissioner in charge of the firm. But it was too late. A few weeks later the policy which the directors of the Alpine had backed all along was fulfilled—Austria was occupied by Germany.

Direct ownership and control were not the only means by which the Germans exerted their influence in the economic affairs of Austria. Recent investigations by the American Anti-Trust Division have shown how, over a long period, German combines used international cartels in order to increase Germany's economic war potential.[3] If powerful monopolistic concerns in Britain and the United States could be induced to act against the interests of their own nation it is clear that the Germans had much easier play as far as Austria was concerned.

Cartelization was a widespread feature of Austria's industrial structure. The wide ramifications of industrial investments of the major banks greatly smoothed the way for trade agreements, mergers, etc. Many of these cartels worked in close agreement with their German counterparts. Owing to their much greater financial strength the German firms had the decisive say in directing cartel policy. In their desire for high and safe profits the Austrian cartel members not only damaged consumers through their restrictionist policies; they also betrayed the economic and political interests of their country in favour of Germany.

These direct economic influences were supplemented by other, more subtle, methods. From the day of the

[CR CATEGORY 116, P. 91 — ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

Germany which had swallowed up one of their important customers and suppliers—Austria had up till then occupied the third or fourth place in the foreign trade of most of these countries. Politically and economically Germany had become the complete master of the whole area.

For Austria, of course, the occupation meant far more than a dangerous shift in Europe's economic balance. Her economy ceased to exist as a separate entity; within a very short time it was completely absorbed into Germany's war economy and her "New Order".[5]

The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

It must be borne in mind, in this connection, that the Central-European banks held a key position in the industrial life of their countries. It has been estimated that the Credit-Anstalt controlled almost 90 per cent of Austria's industry and agriculture. Moreover, the Austrian banks and financial institutions still possessed considerable investments in the Balkan countries, particu-

[5] [CA p. 91. CATEGORY IIc -- ANALYST]

larly in banking, and in the textile, chemical, and food-processing industries.[7] All these controlling positions now passed into the hands of the German banks. Vienna became Germany's launching ramp for south-eastern Europe, and Austrian economic quislings greatly helped the Germans to advance their economic penetration of the Balkans.

But the indirect control of Austrian industry through the banking system was only a first step. Within a very short space of time all the more important Austrian firms passed either partly or wholly into German hands. This was achieved either by methods of outright robbery, as in the case of "aryanization" (the confiscation of Jewish property), or by exploiting the financial difficulties in which many firms had been landed as a result of the occupation and incorporation of Austria; or through a skilful handling of the financial control which had been gained in the first instance. In this way all important industrial enterprises were absorbed into the big German combines like the I.G.-Farben, Krupp, Henschel, Vereinigte Industrie—A.G., and particularly the Hermann-Goering Works, which acquired the control of the largest part of Austria's heavy and allied industries.[8] Altogether, it has been estimated, a share capital of about 380 to 400 million schillings (of industrial, commercial, and banking firms) passed into German hands. This compares with a sum of about 710 million schillings which was the total value of all shares admitted for quotation on the Vienna Stock Exchange in August, 1938.[9]

While the big Austrian firms were being subjected to German control a process of decline took place among the smaller firms. Many small business men were ruined by the policies of rationalization, concentration, and above all by the extension of war production at the cost of the

1 [CT CATEGORY 116. P. 91-92 -- ANALYST]

typically Austrian high-quality consumer goods industries. Between 1938 and 1942, the number of business enterprises in Austria declined from about 21,300 to 16,300, while the corresponding number in Germany increased from 337,000 to 353,000 over the same period.

The changes were less spectacular in agriculture. But many of the large estates belonging to the Church and the monasteries as well as State-owned land came into German ownership. Farmers who were in difficulties were not assisted but bought out and German "hereditary farmers" (*Erbhofbauern*) were settled in Austria. At the same time the sons of Austrian peasants were sent to Poland, Russia, and even to Bohemia and Moravia in order to "colonize" these areas. However, the changes in property relations were of less importance in the sphere of agriculture than the extreme regimentation of production and the system of forced deliveries which reduced the peasants to a state of serfdom.

It is too early as yet to give an exact picture of the effects of seven years of German domination on Austria's economy. Some major results are, however, clearly discernible. First, it is clear that the Germans completely changed the economic structure of Austria. Austria's economy was wholly adapted to suit the needs of the German war machine. And since Austria, like Czechoslovakia, was for a long time the safest place from air attack in Hitler's *Festung Europa* it became one of the most important centres for the production of armaments. Heavy industry was greatly expanded. In Linz alone the Hermann Goering concern erected 320 coke ovens and 6 blast furnaces. In 1943, it was estimated that about 25 per cent of Germany's war industries had been concentrated in Austria.

On the other hand, many of the specifically Austrian

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

industries producing high-quality goods such as electrical equipment, precision instruments, food products, leather goods, arts and crafts, the fashion industry, etc., were either completely ruined by the dearth of raw materials, or they lost their identity by being absorbed into some German concern. Many smaller firms with a high reputation had to close down, and their carefully built up personnel was drawn into the army or into the armament industries. A considerable effort will be required to restore these enterprises which are of great importance for Austria's exports, particularly in her trade with Britain and the United States.

In agriculture, too, the many promising developments before 1938 were brought to an end and production was devoted to the sole purpose of yielding as great a surplus for Germany as possible. In particular, the output of vegetables, staple foods and industrial crops was greatly stepped up.

While Austria's economic structure has been altered, total production was greatly increased. Between 1938 and 1944 steel output, for instance, was doubled; the production of aluminium rose from about 4,000 to 72,000 tons, and the generation of electricity increased from 2½ million kW.h. to almost 10 million kW.h.

The upward trend in war industries was accompanied by considerable shifts in the location of industry. In particular, the Linz-Wels-Steyr area in Austria was greatly expanded and converted into a huge centre of heavy industry. Motor roads and inland shipping facilities were also greatly extended.

These increases were achieved through a considerable reduction in the output of the consumer goods industries, by neglecting the replacement of worn-out machinery, by moving German capital equipment and German and

AUSTRIA'S ECONOMIC DEVELOPMENT

foreign labour to Austria,[10] and also by making much fuller use of Austria's resources than ever before. Indeed, the organization of a war economy has revealed the potential wealth of Austria—as of other countries—showing what could be achieved in peace time if only proper use were made of existing opportunities.

The increase in production, however, was also achieved by eating deeply into Austria's resources. In many cases it will take years before the damage can be repaired, if indeed it can be repaired at all. In the case of timber, for instance (an extremely important export commodity in Austria), a reckless policy of exploitation has undone many years' work of careful afforestation. The intensive cultivation of the soil and the lack of artificial fertilizers and of animal feeding-stuffs has had the most damaging effects on agriculture. Up to the middle of 1942 harvests and herds of livestock were maintained at the pre-war level; but the position has greatly deteriorated since then. 1943, in particular, was a bad year and large numbers of livestock had to be slaughtered.

The increase in the output of oil in Zistersdorf from about 30,000 tons in 1937 to something like 1 million tons (which is considerably more than Austria's total peace-time requirements) may, it is feared, have dangerously exhausted these valuable resources. Similarly, the rate of exploitation of the iron ore deposits reached an undesirably high level.[11]

Our provisional economic balance sheet would not be complete without remembering the tragic destruction of manpower: the thousands of Austrians killed in Hitler's war and the many brave men and women done to death in concentration camps and at the hands of the executioner.

[CF. CATEGORY 11b, P. 92 — ANALYST]